

**Tourism British Columbia
Annual Report
2006/07**



Library and Archives Canada Cataloguing in Publication Data

Tourism British Columbia. Annual report (1998)

Annual report. -- 1997/1998-

Annual.

Also available on the Internet.

Report year ends March 31.

ISSN 1494-6211 = Annual report (Tourism British Columbia.)

1. Tourism British Columbia - Periodicals. 2. Tourism - Government policy - British Columbia - Periodicals.

I. Title. II. Title: Tourism British Columbia ... annual report.

G155.C3T68

354.73

008033641

TABLE OF CONTENTS

Message from the Chair	4
Letter from the President	6
Organizational Overview	8
Alignment with Government's Strategic Plan	11
Report on Performance - Industry	12
Report on Performance - Corporate	20
Financial Report	31
Corporate Governance	46
Tourism British Columbia Offices	52

©2007 - Tourism British Columbia. BC Escapes, British Columbia Magazine, Canada's West Marketplace, Discover Camping, Community Tourism Foundations, Tourism Business Essentials, Hello BC, SuperHost, Super, Natural British Columbia, Tourism British Columbia, Visitor Centre and all associated trademarks and logos are trademarks of Tourism British Columbia. All rights reserved. Unauthorized reproduction is prohibited.

MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE

As fiscal 2006/07 came to a close, the Canadian tourism industry was being faced with what many analysts were calling a "perfect storm" of conditions, particularly as they related to the lucrative American market. The exchange rate against US currency was continuing to diminish, complications arose from new security measures calling for all US travellers to have a current passport to return to the United States, and the GST rebate for visitors from all markets was cancelled.

Despite this, British Columbia enjoyed the best year ever for tourism, with accommodation revenues up 8.7% and total tourism revenues expected to exceed \$10 billion in 2006. This is a testament to the ongoing demand for British Columbia's diverse tourism products and experiences that exist across all four seasons, which was especially evident this year due to the success of BC's many ski resorts. It also demonstrates the effectiveness of the strategic marketing efforts that ensure British Columbia products maximize their presence in international markets. To this end, Tourism British Columbia is proud of the contribution to this success made through the organization's programs and activities in fiscal 2006/07.

Success is measured in various ways:

- **BC Escapes®** – this comprehensive marketing campaign enjoyed another outstanding year of results, realizing consumer spending of \$77 million, which represents a 13.7:1 Return On Investment (\$5.6 million).
- **HelloBC.com** - visitation continues to grow dramatically, with 5 million web visitors expected by the end of 2007, a 400% increase since launching in 2005. Tourism BC also introduced five international websites, including the launch of a Chinese language website.
- **Sector promotion** – with a commitment to increased investment in new and expanded campaigns, the 2006/07 Ski Program saw an increase in inquiries of 253%, and ongoing golf promotion resulted in British Columbia being named "2007 Best Golf Destination in North America" by the International Association of Golf Tour Operators (IAGTO). The extended Outdoor Adventure campaign resulted in over 36,000 guides requested, a 219% increase over 2005.
- **Visitor Servicing** - the new British Columbia Visitor Centre at Golden saw its first full year of operation, and enjoyed an 85% increase in visitation. In addition, a spectacular new Visitor Centre location opened in Osoyoos in March 2007.
- **Communities** – 42 communities are now actively involved in the **Community Tourism Foundations®** program, with 20 more scheduled for participation in fiscal 2007/08.
- **2010 Olympic and Paralympic Winter Games** – among many other initiatives, Tourism BC finalized an MOU with VANOC to provide the Accommodation Management Solution for managing IOC requirements.
- **Corporate environment** – Tourism BC was the only public sector organization named in the 2007 top 50 "Best Workplaces in Canada" by Canadian Business Magazine.

On this last point, we are particularly proud that Tourism BC is considered by staff as an excellent employer. The corporation's commitment to sound business practices is also reflected in the recent Board-initiated governance review conducted by Elizabeth Watson and Associates. To achieve the organization's maximum potential as a destination marketing organization, every aspect of the operation is regularly evaluated for optimum efficiency and effectiveness. The

recent Board governance review was a critical part of this, and will help ensure stronger leadership as Tourism BC navigates through the important 2010 Olympic cycle and beyond.

The corporation's financial position remains sound, with net assets of over \$5 million. Hotel tax revenue was stronger than expected at \$29.95 million, an increase of 8.7% compared to the previous year. Since provincial funding sources remain at \$50 million, the stronger hotel tax receipts reduced the grant from the Ministry of Tourism, Sport and the Arts.

Going forward, the major risks and uncertainties that could impact performance continue to be related to the uptake of US passports, the relative value of the Canadian dollar, gas prices, increasing global competition for tourism dollars and status of the GST rebate for foreign travellers. In addition, expanded air access is critically important in meeting consumer demand. Despite these challenges, the tourism industry expects to set record tourism revenues in 2007.

The Ministry of Tourism, Sport and the Arts introduced a new Tourism Action Plan in February 2007, which outlined a number of key objectives for maximizing the province's tourism opportunity. Further to helping develop the Plan, Tourism BC is fully committed to our role in helping to achieve those objectives, which focus on the organization's core marketing strengths.

The 2006/07 Tourism British Columbia Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects actual performance of Tourism British Columbia for the year ended March 31, 2007, in relation to the 2006/07 Service Plan. The measures presented are consistent with Tourism British Columbia's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to ensure performance information is measured accurately and in a timely fashion. All significant decisions, events and identified risks, as of May 22, 2007, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate direction, goals, objectives, strategies, measures or targets made since the 2006/07 Service Plan was released in February 2006 and any significant limitations in the reliability of data are identified in the report.

On behalf of the Board of Directors, I would like to offer my gratitude to the staff of Tourism British Columbia for all their efforts which continue to produce outstanding results, and to the Minister of Tourism, Sport and the Arts, and his staff, for their continued support of our organization.



Allen Tozer, Chair, Board of Directors

LETTER FROM THE PRESIDENT

Tourism British Columbia celebrates its tenth anniversary as a provincial Crown Corporation in 2007. I am very proud of the success we have realized in fulfilling our legislated mandate to develop and grow tourism throughout the province.

The British Columbia tourism industry has seen a nearly 25% increase in province-wide revenues since 1997. Despite huge challenges such as 9/11, SARS, wildfires, narrowing exchange rates, rising gas prices, increased passport requirements and GST rebate issues, the British Columbia tourism industry continues to prove its resiliency, allowing the Premier's goal of doubling tourism by 2015 to be achievable.

Among factors critical to this success are three key elements. First, the diversity and quality of the BC tourism industry is virtually unparalleled anywhere else in the world. Much attention has been paid to developing infrastructure and tourism products strategically, and the province is now reaping the rewards of this approach.

Second, the provincial government has long considered the industry as one of the key contributors to the economy, and has consistently implemented appropriate policies, developed necessary infrastructure and provided commensurate funding to ensure the industry is as competitive as possible.

Finally, is the specific role fulfilled by Tourism British Columbia. Since inception, Tourism British Columbia has taken a consumer-focused approach to destination marketing, resulting in a full complement of programs and activities that span the Consumer Purchase Cycle, all geared to maximizing market performance. These include initiatives such as **BC Escapes®**, **HelloBC.com**, **Tourism Partners**, **Partners Plus**, **City Stays**, **Meetings BC**, **British Columbia Magazine™**, **Canada's West Marketplace®**, **Community Tourism Foundations®**, **Experiences BC**, travel trade activities, and media relations. There are several more programs including: **1-800 HELLO BC®**, **Tourism Product Management**, **Aboriginal Tourism Blueprint Strategy**, **Visitor Servicing**, **Sport Tourism Development**, **SuperHost®**, **Tourism Business Essentials®**, **Accommodation Quality Assurance** and **Research**. These programs are intended to build export-ready capacity across sectors and across the tourism regions of the province.

Tourism British Columbia has realized outstanding results with these programs. Among the corporation's achievements:

- Two Gold Awards from the Canadian Marketing Association for **BC Escapes** in 2006, following previous Gold awards in 1998, 2001 and 2005. Since 1998, the campaign has generated \$512 million in direct tourism revenue.
- **HelloBC.com**
 - 400% increase in web traffic to 5 million visitors since the 2005 launch
 - 134 communities listed on HelloBC.com with extensive content
 - 137 product categories
 - Nearly 3,000 accommodation properties listed
 - 300+ attractions and activities listed
- **Tourism Partners/Partner Plus**
 - Collectively, over 700 distinct marketing projects annually, including direct participation of 2000 tourism operators and over 100 communities

- **Community Tourism Foundations®**
 - 42 communities in various stages of planning and development to date
 - 20 communities targeted for 2007/08
- Experiences BC - six sectors currently in various stages of marketing development including: History & Heritage, Dive, River Rafting, RV & Camping, Mountain Biking and Nordic Activities.

As we prepare to meet the dual goals of maximizing the tourism benefits of hosting the 2010 Olympic and Paralympic Winter Games and contributing to the doubling of tourism by 2015, the pattern established over the previous decade forms a highly effective platform to achieve these goals.

I am very excited about the opportunities ahead for our industry. My personal thanks to the Honourable Stan Hagen, Minister of Tourism, Sport and the Arts for his leadership, and to our Board of Directors, who are our champions. In addition, I would like to acknowledge the partnership and friendship of regional and city marketing organizations, communities and of course, the thousands of independent business operators who are the strength of our industry. Finally, my sincerest appreciation to all of our staff, past and present, for ten truly great years.

A handwritten signature in black ink, appearing to read 'Rod Harris', with a stylized flourish at the end.

Rod Harris
President & Chief Executive Officer

ORGANIZATIONAL OVERVIEW

Tourism British Columbia's **vision** is to be a recognized world leader in tourism destination management. Our **mission** is to ensure quality visitor experiences that grow the success of British Columbia's tourism industry.

Tourism British Columbia became a Crown corporation in April 1997. Funding of \$50 million per year is a combination of the existing hotel room tax and an annual operating grant from the Ministry of Tourism, Sport and the Arts. The purpose, mandate and principles of Tourism British Columbia are defined under the *Tourism British Columbia Act* as follows:

Purpose

- To promote development and growth in this vital sector
- To increase revenues and employment throughout British Columbia
- To increase the economic benefits generated by the tourism industry

Mandate

- Market British Columbia as a tourism destination
- Provide information services for tourists
- Encourage enhancement of standards of tourist accommodation, facilities, services and amenities
- Enhance professionalism in the tourism industry
- Encourage and facilitate the creation of jobs in the tourism industry
- Collect, evaluate and disseminate information on tourism markets, trends, employment, programs and activities, as well as on the availability and suitability of infrastructure and of services that support tourism activities
- Generate additional funding for tourism programs

Corporate Principles

- The need to conduct business in a consultative, responsible and accessible manner
- The importance of promoting all regions of British Columbia and all sectors of the tourism industry to help them to reach their full potential
- The importance of observing and encouraging effective and efficient business practices.
- The value of working co-operatively with the public and private sectors

Corporate Values

- Integrity – what we bring as individuals
- Enthusiasm – what we portray
- Teamwork – how we work together
- Progressive – what we strive for

These values reflect Tourism British Columbia's strong commitment to disciplined management practices and accountability, while ensuring a positive corporate culture. Recently, the corporation was the only public sector organization recognized in Canadian Business Magazine's top 50 "Best Workplaces in Canada" survey. With employees confirming their confidence in the organization's leadership and practices, Tourism British Columbia continues to demonstrate qualities of a highly effective organization.

Organizational Structure

Tourism British Columbia embraces a consumer-driven approach to marketing by working with private sector and industry partners to bring the right products to the right markets, through various distribution channels that reflect the diversity of consumer and travel trade needs. Tourism BC's governance and organizational structure:

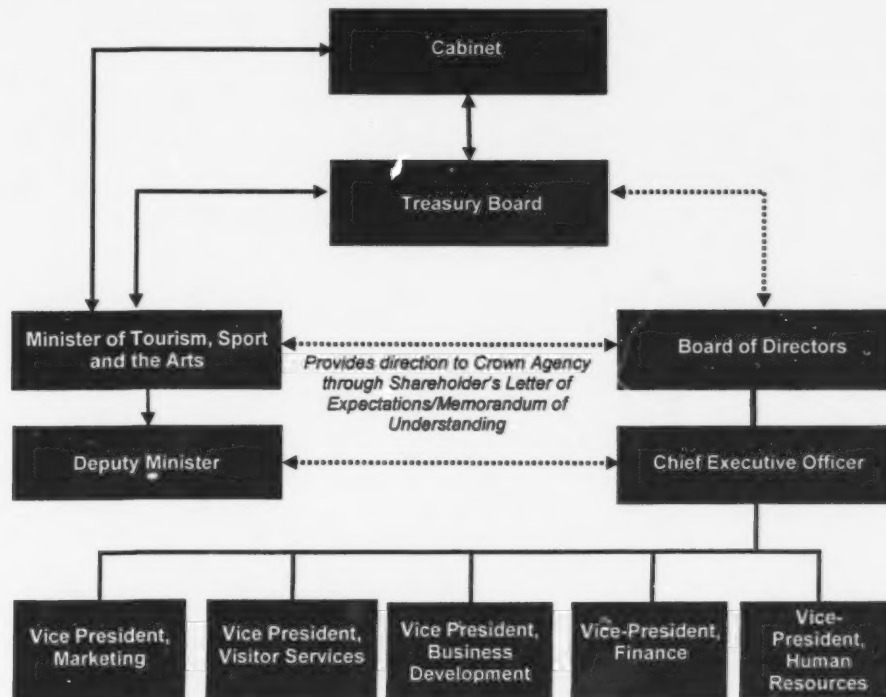
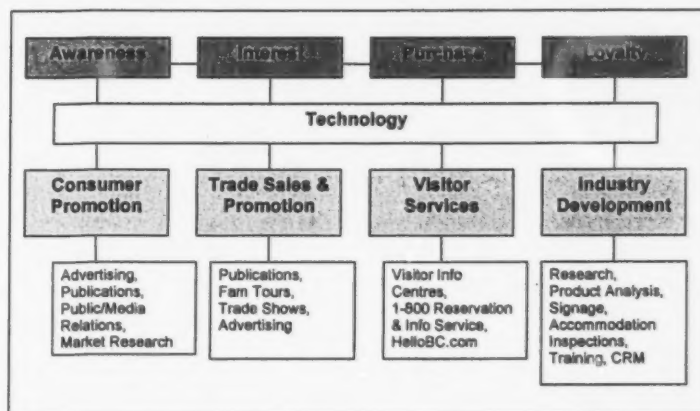


Chart format source: the Shareholder's Expectations Manual for British Columbia Crown Agencies- April 2006

As highlighted in the following chart, all stages of the tourism marketing cycle are aligned with Tourism BC core business activities in order to achieve corporate goals:



Tourism British Columbia is structured as a professional marketing organization, comprised of core business functions that deliver programs and activities across the Marketing Cycle.

- The Marketing division develops consumer and trade promotion marketing strategies and programs based on consumer needs in key geographic markets to increase demand for British Columbia as a preferred travel destination. All activities are integrated and strategically targeted to help move the consumer through the purchase cycle of awareness, interest, purchase, and then ongoing repeat purchase or word of mouth recommendation. The primary goal of this division is to increase tourism revenues from two types of markets: “volume” (British Columbia, Alberta, Washington) and “high-yield” (long-haul North America and Asia/Pacific and Europe).
- The Visitor Services division strategically continues the consumer purchase cycle and its primary goal is to optimize the BC visitor’s experience through enhanced customer service. The division’s programs/activities include:
 - Providing information and sale of tourism products to travellers via each Visitor Centre location, HelloBC.com, 1-800 HELLO BC®, information service and worldwide distribution of British Columbia travel guides.
 - Tourism Product Management registers accommodation facilities, attractions and services in Tourism BC marketing programs and undertakes inspection and rating programs with accommodation properties featured in the British Columbia Approved Accommodation Guide and on HelloBC.com.
 - Training Services builds a professional, well-trained workforce through the world-class SuperHost® training programs ensuring consumer loyalty and repeat business.
- The Business Development division is responsible for assisting new and emerging tourism product businesses, communities and sectors achieve market preparedness. Its programs focus on providing useful tools for tourism businesses and communities to help grow their business opportunities. The division is also responsible for providing research to industry partners for the measurement, evaluation and management of growth in all sectors, developing new revenue-generating opportunities and the award-winning **British Columbia Magazine™**.
- Tourism BC is strongly committed to disciplined management practices and accountability, while ensuring a positive corporate culture. Through the development and implementation of efficient financial, administrative, information and human resource systems, Corporate Services and Human Resource Development continue to contribute to the positive performance of the organization.
- In addition to primary offices in Vancouver and Victoria, Tourism BC maintains in-market representation in key markets including Australia, Germany, Japan, United Kingdom, South Korea and Taiwan.
- Tourism BC delivers many of its services and programs by leveraging its resources through various partnerships, including regional and city destination marketing organizations (DMOs), product sectors, Visitor Centre locations and other tourism organizations at the federal and provincial level.

ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

The Ministry of Tourism, Sport and the Arts launched a new Tourism Action Plan at the BC Tourism Industry Conference in February 2007. Tourism British Columbia's Board of Directors and staff are fully committed to fulfilling the corporation's role in the Plan, which directly relates to doubling tourism by 2015.

Important aspects of the strategy are to continue to build the value of the **Super, Natural British Columbia®** brand worldwide and to further develop strong relationships within the BC tourism industry to ensure stakeholder support and ongoing input.

As identified in the *Tourism British Columbia Act*, Tourism BC's purpose is to promote development and growth in the tourism industry, to increase revenues and employment throughout British Columbia, and to increase the economic benefits generated through tourism. In doing this, Tourism British Columbia provides support to, or works in partnership with, many areas of the provincial government and other related agencies in their efforts to contribute to the government's overall strategy. Some examples include:

- Ministry of Tourism, Sport and the Arts
 - Ministry Responsible
- Ministry of Economic Development
 - BC Olympic and Paralympic Winter Games Secretariat (including participation at BC-Canada Place in Torino)
 - Support/participation for international trade missions
- Ministry of Agriculture
 - Agri-tourism development, including wine and culinary tourism
- Ministry of Transportation
 - Co-operate on key issues and opportunities associated with related Visitor Centre locations
 - Highway signage, including Circle Routes
- Resort Task Force
- Union of BC Municipalities
- Aboriginal Tourism Association of BC
- 2010 Legacies Now
- Community, regional and sector tourism associations

REPORT ON PERFORMANCE – INDUSTRY

Provincial Comparisons

The relative success of Tourism British Columbia as a provincial destination marketing organization can be assessed many different ways, including comparisons to other Canadian jurisdictions that compete for tourism dollars.

Provincial Performance	BC	Alberta	Ontario	Quebec
Population	4,113, 487	3,290,350	12,160,282	7,546,131
Tourism Budget	\$50 million	\$48 million	\$64 million	\$79 million
International Visitors (2006) (% of Canada total)	26.5%	4.9%	47.6%	14.2%
Accommodation Occupancy *(2001-06 % change)	+6.5%	+6.8%	+0.2%	+0.1%
Accommodation Revenue *(2001-05 % change)	+24.3%	+23.7%	+8.2%	+24.2%
Total Tourism Revenue *(2001-04 % change)	+2.7%	+1.8%	-0.9%	Not Available

* Most recent year data available from all jurisdictions

Industry Revenue

British Columbia's tourism industry is expected to grow steadily over the next three years, with visitor expenditures estimated to increase 10.9% between 2007 and 2010. Worldwide markets are growing, with revenue from the Asia/Pacific region expected to increase by a total of 19.2% during this time.

Industry Measure: Annual percentage increase in Provincial tourism revenues						
Past Performance		2006 Performance: On track		Future Targets		
2004	2005	Target	Estimate*	2007	2008	2009
5.3%	3.4%	3.7%	3.7%	4.7%	5.3%	6.9%

*At time of publication, the final figures that comprise the 2006 overnight visitor revenue estimate were not available. Therefore, the 2006 revenue figure represents a preliminary estimate. Key contributing measures of 2006 tourism revenue estimate indicate the industry is on track to meet growth targets. These measures include accommodation room revenue (up 7.8%), average daily room rate (up 5.3%), provincial occupancy rates (up 1.8 points) and Vancouver International Airport passenger volume (up 3.1%). The 2006 preliminary revenue estimate is subject to change when final data is available from Statistics Canada which is expected in the 3rd quarter of 2007.

There are many factors outside of Tourism British Columbia's control that influence this measure, including the overall economy, new US passport regulations, limited air capacity to BC from overseas markets, competitive spend from other markets and terrorism. Tourism BC updates the data annually by monitoring an extensive combination of indicators with particular focus on accommodation statistics such as room revenue, occupancy levels and average daily room rates. In addition, Tourism BC monitors visits through customs entries, airport arrivals, cruise ship activity, attendance at provincial parks, ferry and highway traffic, and visitor party information gathered from the 110+ Visitor Centre locations.

Other Tourism Industry Performance Indicators

Given the wide variety of businesses directly linked to tourism, performance is best measured by cross-referencing a number of indicators that relate to overall tourism activity. In particular, tourism plays a key role in the performance of the accommodation, food services and transportation sectors.

The performance of the accommodation sector was positive in 2006, rising 7.8% over 2005, and room revenue of fishing lodges rose 6.7%. The corresponding increase in the average daily room rate was 5.3%. The occupancy rate rose by 1.8 points, showing that the increase in demand for rooms was greater than the increase in supply.

Increased volume at Vancouver International Airport reflects increased visitor travel by international visitors. Restaurant receipts showed a positive result for the year, increasing 6.9%.

Because tourism is seasonal in some regions of the province and for some products (ski, for example) it is important to examine quarterly as well as annual data to get a complete picture of the performance of the industry.

	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	Total 2006
Accommodation Room Revenue (\$000's)	1,147,211	1,271,171	1,414,000	1,438,254	5,270,636
% change	4.0%	11.4%	7.8%	7.5%	7.8%
Provincial Occupancy Rate	67.0%	67.5%	67.5%	68.1%	67.7%
supplied by Pannell Kerr Forster	3.3	2.9	1.3	0.9	1.8
Provincial Average Daily Room Rate	\$114.00	\$118.00	\$121.00	\$122.00	\$118.75
% change	4.4%	8.6%	5.5%	4.1%	5.3%
Commercial Restaurant Receipts	\$1,627,100	\$1,721,200	\$1,814,000	\$1,836,254	\$6,998,554
% change	6.1%	5.9%	7.0%	8.6%	6.9%
Vancouver International Airport Passenger Volume	1,277,300	1,421,200	1,414,000	1,336,254	5,448,754
% change	1.3%	3.2%	3.7%	4.1%	3.1%
BC Ferries Passenger Volume	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
% change	(1.5%)	0.2%	0.2%	(1.4%)	(0.5%)
Coquihalla Highway	71,000	80,000	80,000	80,000	291,000
% change	(8.3%)	0.5%	0.4%	(2.3%)	(1.4%)
Provincial Visitor Centre locations	1,531,000	1,532,000	1,532,000	1,532,000	6,127,000
% change	(2.5%)	(7.4%)	(1.3%)	2.0%	(2.7%)

Data Sources: BC Stats, Pannell Kerr Forster Inc, Stats Canada, Vancouver International Airport Authority, BC Ferries, Ministry of Transportation, Tourism BC

Customs Entries

Key to developing and implementing marketing programs, Tourism BC tracks results from a number of areas that provide useful background on market performance. A significant indicator is customs entries data, which captures visitation from British Columbia's international markets. The percentage shown indicates the increase or decrease in entries over calendar year 2005. Overall, overnight customs entries from all international markets were down 1.5% from the previous year. This is largely due to the further decrease in entries from the United States, which were down another 2.0% for the year.

Customs Entries	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	BC Total 2006	Canada Total 2006
U.S. Overnight	501,475	507,721	517,153	530,227	1,956,576	5,473,451
% change	(6.4%)	2.2%	(2.8%)	(2.3%)	(2.0%)	(4.3%)
Asia/Pacific Overnight	144,005	145,820	146,991	145,554	582,370	1,525,221
% change	(3.5%)	(1.8%)	0.6%	(0.8%)	(1.1%)	0.8%
Japan	39,708	55,635	70,387	45,279	210,999	386,435
% change	(6.7%)	(12.5%)	(10.2%)	(11.7%)	(10.5%)	(8.8%)
Taiwan	14,451	21,005	21,131	16,371	72,958	92,335
% change	(2.2%)	(1.0%)	(5.4%)	(18.6%)	(6.5%)	(5.5%)
Hong Kong	12,431	10,407	9,337	12,237	44,382	109,177
% change	(17.2%)	(4.4%)	13.0%	3.1%	(0.0%)	(1.6%)
Australia & New Zealand	22,500	21,011	23,011	24,441	90,963	237,335
% change	(14.1%)	4.0%	(0.1%)	(0.7%)	(1.3%)	(1.4%)
South Korea	23,880	31,601	46,551	25,221	126,653	193,685
% change	2.7%	(1.8%)	3.6%	17.9%	4.5%	7.6%
China	13,908	23,051	36,111	24,498	97,568	144,601
% change	1.0%	4.9%	23.1%	13.4%	12.4%	23.1%
Europe Overnight	83,809	140,117	216,476	64,132	484,534	2,281,672
% change	(9.5%)	5.2%	1.0%	(3.4%)	0.0%	(1.5%)
United Kingdom	34,877	68,842	96,077	31,268	231,064	686,291
% change	(13.9%)	3.7%	2.4%	(10.0%)	(1.8%)	(4.4%)
Germany	8,358	21,307	40,111	8,358	78,134	302,322
% change	(5.6%)	8.7%	(6.7%)	(8.8%)	(2.9%)	(6.8%)
Netherlands	4,444	11,147	17,351	4,444	37,386	115,001
% change	10.3%	9.8%	(2.1%)	(8.0%)	1.8%	0.2%
Switzerland	24,011	4,881	3,351	2,221	34,464	91,671
% change	(23.1%)	(20.5%)	(4.7%)	12.4%	(10.0%)	(5.1%)
France	1,977	4,387	7,491	2,781	16,626	369,321
% change	(8.0%)	(2.8%)	3.0%	28.5%	3.4%	3.7%
Total Overnight Customs Entries	722,780	1,320,442	1,990,081	777,293	4,810,596	18,174,953
% change	(6.2%)	2.0%	(1.9%)	(1.8%)	(1.5%)	(3.2%)

Data Source: Stats Canada. Data subject to ongoing revision from suppliers.

Other Tourism Industry Performance Indicators

Given the wide variety of businesses directly linked to tourism, performance is best measured by cross-referencing a number of indicators that relate to overall tourism activity. In particular, tourism plays a key role in the performance of the accommodation, food services and transportation sectors.

The performance of the accommodation sector was positive in 2006, rising 7.8% over 2005, and room revenue of fishing lodges rose 6.7%. The corresponding increase in the average daily room rate was 5.3%. The occupancy rate rose by 1.8 points, showing that the increase in demand for rooms was greater than the increase in supply.

Increased volume at Vancouver International Airport reflects increased visitor travel by international visitors. Restaurant receipts showed a positive result for the year, increasing 6.9%.

Because tourism is seasonal in some regions of the province and for some products (ski, for example) it is important to examine quarterly as well as annual data to get a complete picture of the performance of the industry.

	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	Total 2006
Accommodation Room Revenue (\$000s)	\$367,333	\$455,186	\$659,971	\$339,673	\$1,822,163
% change	4.0%	11.4%	7.8%	7.5%	7.8%
Provincial Occupancy Rate	57.5%	70.8%	79.6%	56.1%	65.7%
supplied by Pannell Kerr Forster	3.3	2.9	1.3	0.9	1.8
Provincial Average Daily Room Rate	\$111.96	\$124.87	\$142.03	\$112.65	\$124.73
% change	4.4%	8.6%	5.5%	4.1%	5.3%
Commercial Restaurant Receipts*	\$1,507,693	\$1,656,855	\$1,767,233	\$1,620,064	\$6,551,846
% change	6.1%	5.9%	7.0%	8.6%	6.9%
Vancouver International Airport - Passenger Volume	3,775,070	4,212,304	5,105,605	3,836,254	16,929,233
% change	1.3%	3.2%	3.7%	4.1%	3.1%
BC Ferries Passenger Volume	4,060,204	5,526,869	7,538,430	4,564,668	21,690,171
% change	(1.5%)	0.2%	0.2%	(1.4%)	(0.5%)
Coquihalla Highway	376,238	694,910	1,057,331	454,665	2,583,144
% change	(8.3%)	0.5%	0.4%	(2.3%)	(1.4%)
Provincial Visitor Centre locations - # parties	193,102	432,385	841,705	206,337	1,673,529
% change	(2.5%)	(7.4%)	(1.3%)	2.0%	(2.7%)

Data Sources: BC Stats, Pannell Kerr Forster Inc, Stats Canada, Vancouver International Airport Authority, BC Ferries, Ministry of Transportation, Tourism BC

Customs Entries

Key to developing and implementing marketing programs, Tourism BC tracks results from a number of areas that provide useful background on market performance. A significant indicator is customs entries data, which captures visitation from British Columbia's international markets. The percentage shown indicates the increase or decrease in entries over calendar year 2005. Overall, overnight customs entries from all international markets were down 1.5% from the previous year. This is largely due to the further decrease in entries from the United States, which were down another 2.0% for the year.

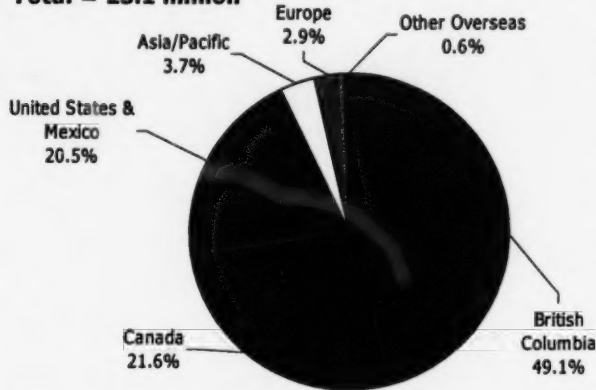
Customs Entries	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	BC Total 2006	Canada Total 2006
U.S. Overnight	501,675	907,788	1,428,826	530,228	3,368,517	13,765,015
% change	(6.4%)	2.2%	(2.8%)	(2.3%)	(2.0%)	(4.3%)
Asia/Pacific Overnight	144,095	243,936	303,904	165,556	857,491	1,528,846
% change	(3.5%)	(1.8%)	0.6%	(0.8%)	(1.1%)	0.8%
Japan	39,706	56,685	75,892	43,279	215,562	386,485
% change	(6.7%)	(12.5%)	(10.2%)	(11.7%)	(10.5%)	(8.8%)
Taiwan	14,458	24,058	28,160	15,335	82,011	92,855
% change	(2.2%)	(1.0%)	(5.4%)	(18.6%)	(6.5%)	(5.5%)
Hong Kong	12,412	19,402	26,664	12,737	71,215	109,677
% change	(17.2%)	(4.4%)	13.0%	3.1%	(0.0%)	(1.6%)
Australia & New Zealand	22,308	51,018	53,061	24,441	150,828	237,335
% change	(14.1%)	4.0%	(0.1%)	(0.7%)	(1.3%)	(1.4%)
South Korea	23,880	31,606	45,354	25,223	126,063	193,665
% change	2.7%	(1.8%)	3.6%	17.9%	4.5%	7.6%
China	13,906	23,059	35,161	21,498	93,624	144,601
% change	1.0%	4.9%	23.1%	13.4%	12.4%	23.1%
Europe Overnight	63,809	140,147	215,478	64,134	483,568	2,281,624
% change	(9.5%)	5.2%	1.0%	(3.4%)	0.0%	(1.5%)
United Kingdom	34,877	68,842	96,877	31,268	231,864	866,299
% change	(13.9%)	3.7%	2.4%	(10.0%)	(1.8%)	(4.4%)
Germany	8,358	23,307	40,186	8,687	80,538	302,323
% change	(5.6%)	8.7%	(6.7%)	(8.8%)	(2.9%)	(6.8%)
Netherlands	4,494	11,147	17,358	4,278	37,277	118,998
% change	10.3%	9.8%	(2.1%)	(8.0%)	1.8%	0.2%
Switzerland	2,040	4,666	9,323	2,234	18,263	91,627
% change	(23.1%)	(20.5%)	(4.7%)	12.4%	(10.0%)	(5.1%)
France	1,977	4,387	7,480	2,784	16,628	369,624
% change	(8.0%)	(2.8%)	3.0%	28.5%	3.4%	3.7%
Total Overnight Customs Entries	722,780	1,320,442	1,990,081	777,293	4,810,596	18,174,953
% change	(6.2%)	2.0%	(1.9%)	(1.8%)	(1.5%)	(3.2%)

Data Source: Stats Canada. Data subject to ongoing revision from suppliers.

Visitation

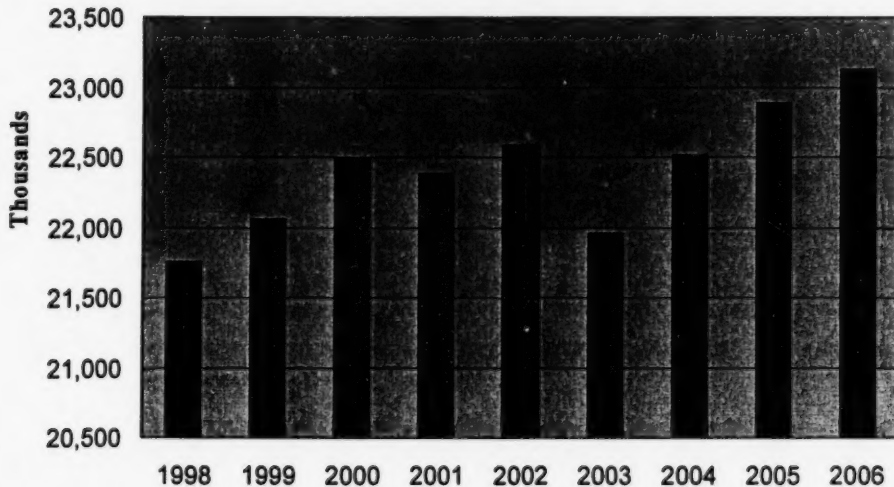
British Columbia hosted approximately 23.1 million overnight visits in 2006. An overnight visit is a trip that consists of one or more nights in British Columbia (as defined by the World Tourism Organization and Statistics Canada). British Columbian residents were responsible for 50.6% of all overnight trips in 2006.

2006 Overnight Visitor Volume to BC
Total = 23.1 million



Data Source: Tourism BC

Overnight Visitor Volume to BC 1998 - 2006



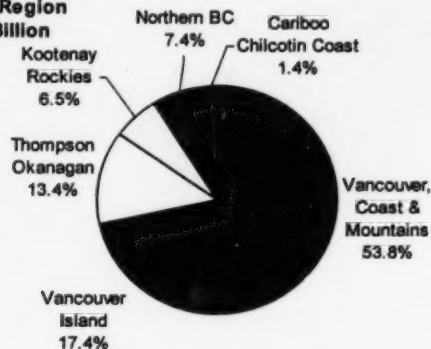
Data Source: Tourism BC

Accommodation Revenue

Room revenue measures expenditure on overnight accommodations by travellers in properties subject to British Columbia's hotel room tax. Since this accounts for more than 50% of overnight visitor nights, room revenue is a key indicator of industry performance. On a regional level, room revenue further demonstrates the dispersal of visitors across British Columbia's regions.

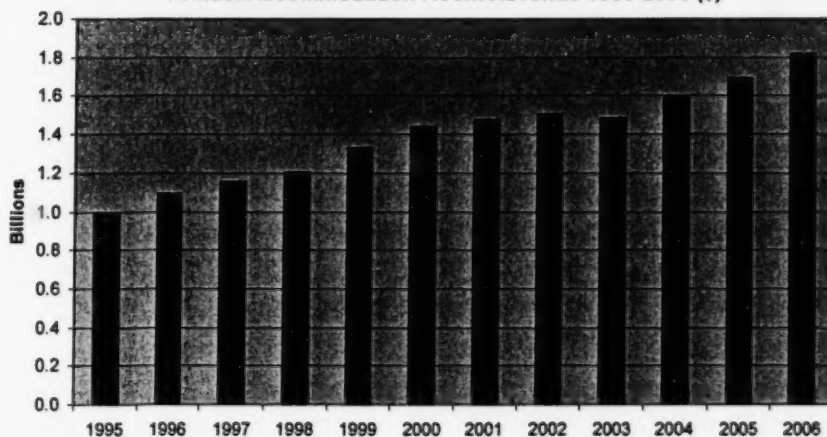
The Vancouver, Coast & Mountains region (including Greater Vancouver and Whistler) accounted for 53.8% of accommodation room revenue in BC during 2006, while Vancouver Island accounted for 17.4% and other regions in BC combined for 28.7%. Accommodation room revenue grew 7.8% from 2005, reflecting growth in overnight visitor volume and increases in room rates.

**2006 Room Revenue
by Tourism Region
Total: \$1.8 Billion**



Data Source: BC Stats

Annual Accommodation Room Revenue 1995-2006 (\$)

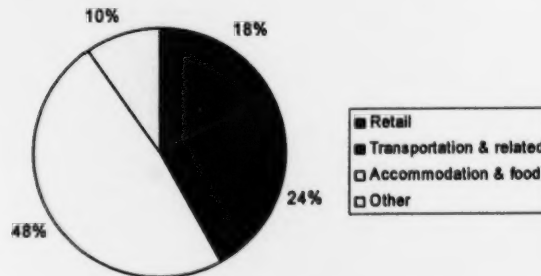


Data Source: BC Stats

Employment

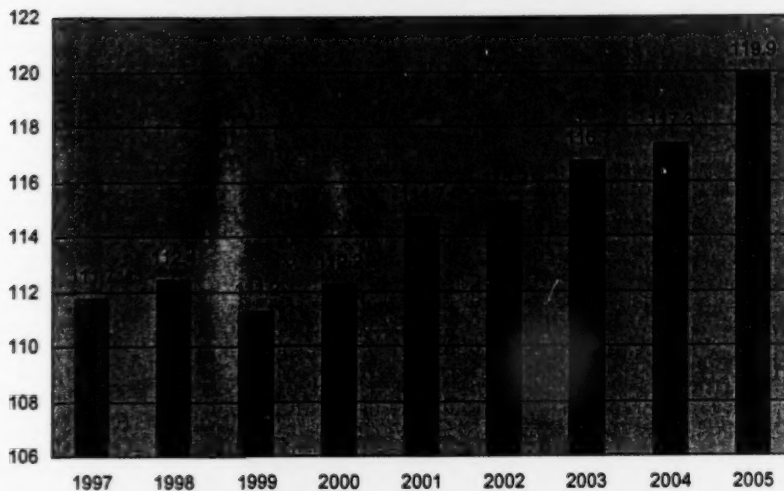
Expenditures by visitors created 119,900 direct full time and part time tourism jobs in British Columbia according to the most up-to-date figures available from BC Stats and Statistics Canada (2005). Since visitors experience a variety of goods and services, employment is created in many sectors of the economy. In 2005, 72% of the jobs attributable to tourism were created in two sectors: Accommodation & Food Services and Transportation & Related Services. In addition, another 170,000 tourism jobs are created indirectly.

2005 Tourism Employment: 119,900



Data Source: BC Stats, Statistics Canada (Survey of Employment, Payroll and Hours)

Tourism Employment 1997 - 2005 (000's)

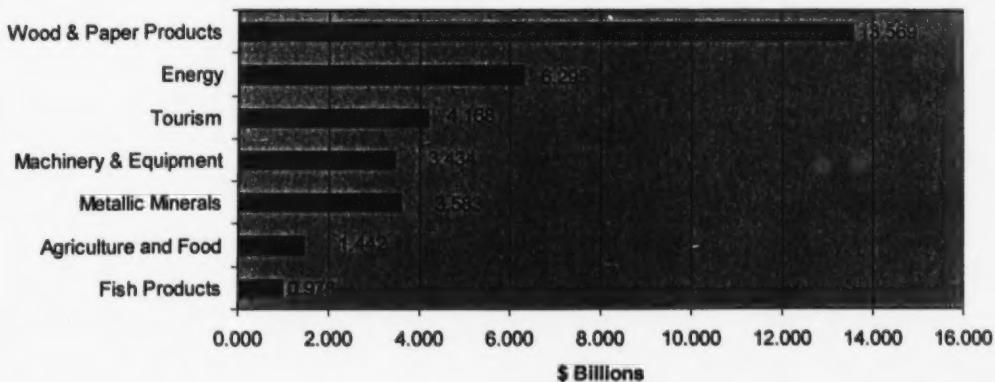


Data Source: BC Stats

British Columbia Exports

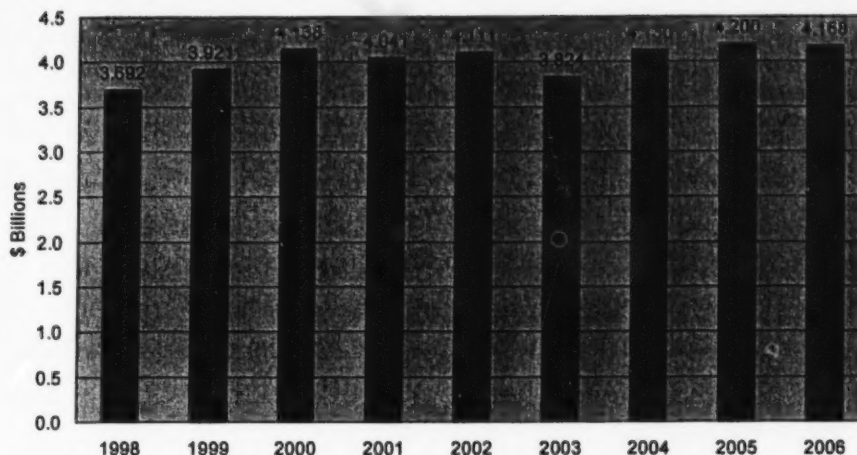
Exports are expenditures by non-residents of Canada on goods and services produced in British Columbia. Unlike most industrial sectors, tourism exports occur when BC origin goods and services are purchased by international visitors while in British Columbia, rather than in their home countries. Tourism is a significant export sector, third to Wood & Paper Products and Energy in 2006. Tourism exports decreased in 2006 as a decline in expenditures by American visitors offset an increase in expenditures by visitors from overseas countries.

2006 BC Exports (Current \$ Billions)



Data Sources: Tourism BC, BC Stats

Total Tourism Exports 1998 - 2006 (Current \$ Billions)

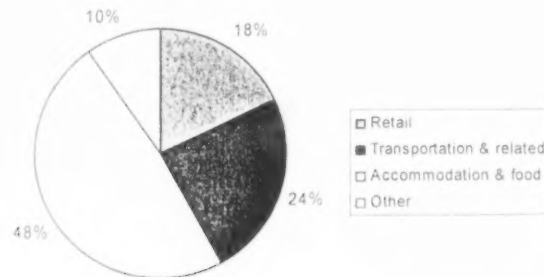


Data Source: Tourism BC

Employment

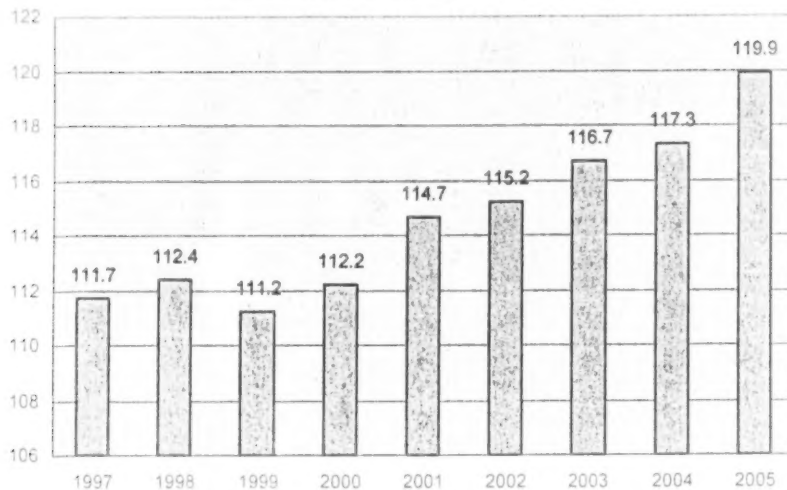
Expenditures by visitors created 119,900 direct full time and part time tourism jobs in British Columbia according to the most up-to-date figures available from BC Stats and Statistics Canada (2005). Since visitors experience a variety of goods and services, employment is created in many sectors of the economy. In 2005, 72% of the jobs attributable to tourism were created in two sectors: Accommodation & Food Services and Transportation & Related Services. In addition, another 170,000 tourism jobs are created indirectly.

2005 Tourism Employment: 119,900



Data Source: BC Stats, Statistics Canada (Survey of Employment, Payroll and Hours)

Tourism Employment 1997 - 2005 (000's)

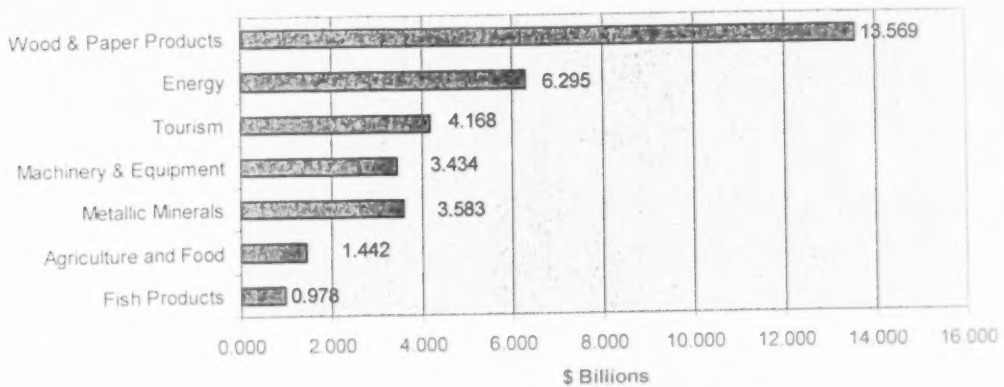


Data Source: BC Stats

British Columbia Exports

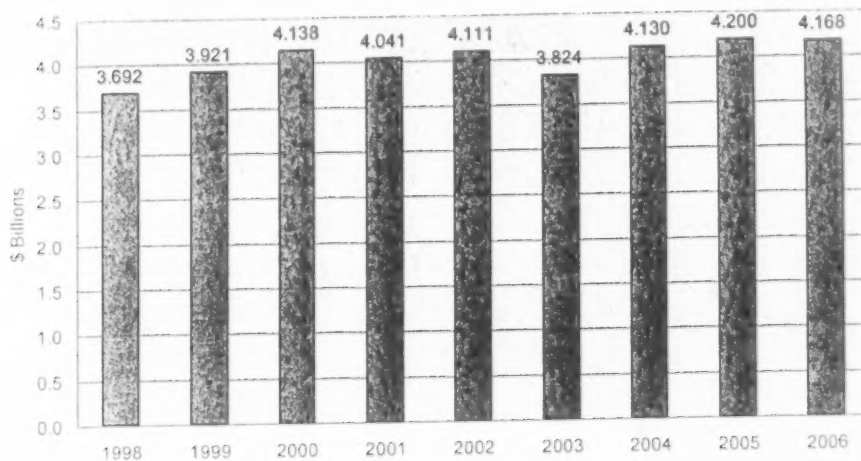
Exports are expenditures by non-residents of Canada on goods and services produced in British Columbia. Unlike most industrial sectors, tourism exports occur when BC origin goods and services are purchased by international visitors while in British Columbia, rather than in their home countries. Tourism is a significant export sector, third to Wood & Paper Products and Energy in 2006. Tourism exports decreased in 2006 as a decline in expenditures by American visitors offset an increase in expenditures by visitors from overseas countries.

2006 BC Exports (Current \$ Billions)



Data Sources: Tourism BC, BC Stats

Total Tourism Exports 1998 - 2006 (Current \$ Billions)



Data Source: Tourism BC

REPORT ON PERFORMANCE – CORPORATE

As outlined in Tourism British Columbia's 2006/07 Service Plan, the organization implements programs that work towards achieving two long-term outcomes:

- Doubling provincial tourism revenues by 2015.
- Maximizing the long-term tourism benefits of the 2010 Olympic and Paralympic Winter Games for all of British Columbia.

To accomplish these outcomes, Tourism BC has identified four primary goals:

1. Increase provincial tourism revenues by attracting visitors from "volume" markets (British Columbia, Alberta and Washington) and "high-yield" markets (long-haul North America, Asia/Pacific and Europe).
2. Optimize the BC visitors' experience through enhanced customer service.
3. Improve tourism market readiness of new and emerging tourism sectors and products.
4. Create a positive corporate culture within an efficient and effective organization.

Goal 1: Increase provincial tourism revenues by attracting visitors from both "volume" markets (British Columbia, Alberta and Washington) and "high-yield" markets (long-haul North America, Asia/Pacific and Europe).

Goal 1 is the focus of the Marketing division. Consumer-driven strategies target key geographic markets to increase demand for British Columbia as a preferred travel destination. Strategies focus on building awareness, interest, purchase and repeat purchase. Spending emphasis is focused on two key revenue generating markets. First, those in close proximity to British Columbia, including British Columbia, which produce high volume but lower daily expenditures and have high repeat potential. The second type of markets are those further away (long-haul Canada, US and overseas) which deliver visitors that tend to stay longer and spend more on a daily basis. By balancing efforts against repeat visitation from closer-in markets and trial from higher yield longer-haul markets, growth in tourism revenue will be optimized.

The key programs and investments included:

Marketing – North America

Short Stay/Getaway Campaigns (\$5.6 million invested)

This investment continues to be deployed via the award-winning **BC Escapes®** program, which is partnered with over 200 accommodation properties. The 2006 campaign targeted frequent travelers in BC, Alberta, Ontario, Washington and California. In November 2006, Tourism BC was recognized for this campaign with two Gold Awards from the Canadian Marketing Association in the highly competitive categories of *Leisure/Travel Products and Services*, and *Direct Response – Direct Mail*.

Tourism Partners (\$3.6 million) This on-going program supports the six regional destination marketing organizations (RDMOs) through sector-focused marketing activities targeting short-

haul markets. There are hundreds of distinct projects annually, and activities include media advertising, publications, consumer and trade shows, direct mail, internet and research. Over 2,000 businesses participated in marketing programs in 2006/07.

Partners Plus (\$0.4 million)

This program builds on the success of Tourism Partners by providing the opportunity for regions to access funds geared towards specific long-haul activities, such as consumer advertising, trade shows and media relations events. This is managed through the six regional RDMOs.

Outdoor Adventure (\$1.3 million)

Tourism BC created an outdoor activity focused campaign targeting a younger, more active audience. Elements included magazine, online marketing, and direct mail. Target markets included BC, Alberta, Ontario, Washington and California.

Consumer Publications and Listings (\$1.3 million)

Travel to BC was promoted through development and distribution of publications and promoting visitation to the Tourism BC website. Net revenue targets were achieved, and over 2,900 accommodation operators and 300 tourism businesses participated in the HelloBC® Listings Program, gaining exposure to over 7 million consumers through publications and websites.

City Stays (\$1.2 million)

This application-based, city specific program provided co-op marketing assistance for Tourism Vancouver, Victoria and Whistler to capitalize on unique city stay opportunities. Activities included media relations and consumer marketing targeting niche markets such as gay and lesbian, and cruise.

Media Relations (\$0.8 million)

By focusing on targeted media initiatives with key media outside BC, an advertising equivalency of greater than \$140 million is estimated. Over 200 individual press trips were supported through the year, resulting in coverage in media ranging from local (Vancouver Sun) to international (NY Times, San Francisco Chronicle, Travel and Leisure, National Geographic Traveller). BC represented 39% of all Canadian print coverage tracked by the CTC in 2006.

Meetings BC (\$0.7 million)

This application-based marketing program provided cost shared cooperative marketing assistance to further promote meetings and conventions markets in Vancouver, Victoria, Whistler, Penticton, Prince George and Kelowna.

Online Programs (\$2.4 million)

New websites for the United Kingdom and Australia markets were planned, developed and launched using the core Consumer Web Platform, including hundreds of pages of unique market specific content. Functionality was developed to seamlessly publish products enrolled in the HelloBC Listings Program including advanced trip planning features, such as interactive maps. New blog functionality was created to allow staff, industry and consumers to share their tourism experiences, which was fully integrated with official destination information. Increased investment in search engine optimization and marketing resulted in 1.7 million visitors referred from search engines, an increase of 65%.

Sector Marketing (\$2.0 million)

Tourism BC developed consumer direct campaigns focused on ski, golf, and fishing, and provided application programs for emerging sectors (cruise, mountain biking, museums and guest

ranches, among others). Consultation was undertaken with industry toward the launch of a wine and food campaign for 2007.

Trade Education and Coop Marketing (\$0.7 million)

BC's position with the travel trade was maintained through education, co-operative marketing and sales activities. Development of a Spanish language website for Mexico was initiated, and a Spanish language vacation planner produced. Tourism BC delivered 21 trade co-op marketing programs, 43 educational seminars, led 10 sales missions and achieved a 50% share of tour operator Canadian listings.

Marketing - Europe

Travel Trade (\$1.3 million)

BC's position with key tour operators in the UK, Germany and the Netherlands was increased through educational programs, co-operative marketing campaigns, familiarization tours and sales calls. Tourism BC delivered 80 trade co-op marketing programs and achieved a 45% share of tour operator Canadian listings. For example, the **Canada's West Marketplace®** trade show hosted 50 new buyers representing the highest buyer attendance and delegation in its 19-year history. The marketplace also welcomed more than 21 first-time sellers, who participated in over 25,961 pre-scheduled meetings, a record for the event. Established in 1989, the Canada's West Marketplace trade show is a partnership between Tourism British Columbia and Travel Alberta and is an annual forum for promoting Western Canada tourism products to international tour operators, wholesalers and travel trade media.

Media Relations (\$0.2 million)

Advertising equivalency of \$24.4 million was achieved through additional and larger targeted media initiatives with key European media.

Marketing – Asia/Pacific

Consumer Advertising & Promotions (\$0.9 million)

A new Japanese direct marketing campaign was initiated to consumers utilizing online channels. In addition, a monthly e-newsletter was distributed to over 9,000 subscribers.

Media Relations (\$0.4 million)

An advertising equivalency of \$38 million was achieved through additional and larger targeted media initiatives with key Asia/Pacific media to obtain unpaid coverage of BC products and to address 2010 opportunities. Media relations representation was secured in China to implement an ongoing editorial/advertorial program for Chinese mainland media. In-depth media workshops were conducted in partnership with the CTC, Travel Alberta and Ontario Tourism Marketing Partnership.

Travel Trade (\$1.4 million)

BC's position with key tour operators in Japan, Taiwan, South Korea and Australia was increased through educational programs, co-operative marketing campaigns, familiarization tours and sales calls. Tourism BC delivered 73 trade co-op marketing programs, produced 26 foreign language print publications and achieved a 63% share of tour operator Canadian listings.

China

Although Approved Destination Status has not been granted, Tourism BC worked closely with in-market CTC representatives to identify and develop relationships with key Chinese travel trade

and media. Key activities included participation in Chinese trade shows and fam tours. Twenty tour operators registered for the **Canada's West Marketplace®** trade show, training seminars were implemented in-market, six new print publications were produced, and four press and seven travel trade fairs were hosted in BC.

Corporate Performance - Goal 1

Measure: Return on Investment, BC Escapes® (tourism revenues per \$ invested)						
Past Performance		2006/07 Performance:		Future Targets		
		Target Exceeded				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
12.5	13.2	12.0	13.7	12.0	12.0	12.0

BC Escapes is one of Tourism BC's major North American marketing campaigns and provides a key measure of provincial tourism revenues generated by the amount of marketing investment. An independent third party provides the results through an annual "Conversion Study". In 2006/07, the campaign generated over \$77 million in revenue from a \$5.6 million investment. As multiple campaigns are being deployed simultaneously, an overall measure assesses the return on consumer marketing. For 2006/07, the total revenue generated from all "direct to the consumer campaigns" was \$99 million.

Measure: Equivalent dollar value of unpaid editorial coverage worldwide (\$millions)						
Past Performance		2006/07 Performance:		Future Targets		
		Target Exceeded				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
126	143	190	202	190	200	210

Tourism BC focuses much of its marketing efforts on Media Relations, and this measure provides an estimate of the value of unpaid media coverage of British Columbia tourism in print, TV and radio. The data source for this measure is Tourism BC.

Measure: Unique visitors to www.HelloBC.com (millions)						
Past Performance		2006/07 Performance:		Future Targets		
		Target Exceeded				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
0.9	2.7	2.2	4.3	5.0	6.0	7.0

This measure tracks the number of visitors to the Tourism BC North American consumer website as an indicator of the success of Tourism BC's marketing programs. Performance was much better than plan; as a result, future targets have been adjusted upwards. Tourism BC is the source of this data.

Goal 2: Optimize the BC visitors' experience through enhanced customer service.

Goal 2 is the primary focus of the Visitor Services division. The quality of a visitor's vacation experience while in British Columbia is critical to the ongoing success of the tourism industry. In the long term, British Columbia's tourism industry must continue to grow its reputation as a provider of high-quality services and products. Tourism BC's strategies under this goal are designed to ensure that visitors have access to the information required to make informed purchasing decisions, to continue to enhance standards of tourist accommodation, facilities, service and amenities, and to enhance professionalism in the tourism industry.

Key programs and investments included:

Visitor Servicing (\$3.8 million)

Five provincial gateways and 110+ Visitor Centre locations province-wide saw 3.3 million visitors receive travel assistance including information and tools to purchase BC product. Currently, over 13,000 tourism businesses have information available in these centres. To further support the productivity of each Visitor Centre location, funding for the Visitor Centre Network was doubled in 2005/06.

Industry Human Resources Development (\$1.0 million)

Addressing the critical skill shortage facing the tourism sector, financial support was provided to go2 – The resource for people in Tourism, the Centre for Leadership and Innovation in Tourism at Capilano College and the Centre for Leadership and Innovation in Hospitality at Vancouver Community College, to continue implementation of the provincial tourism human resource development plan.

Marketing Technology Infrastructure (\$2.5 million)

Tourism BC developed and implemented a new product supplier self-service registration system and a travel information management system to provide current information to Tourism BC's publications, websites, call centre and Visitor Centre locations.

Call Centre Reservation and Information System (\$2.1 million)

Through Tourism BC's consumer points of contact, including the 1-800 HELLO BC® call centre, Visitor Centre locations and HelloBC.com, 60,000 reservations were made for BC tourism businesses.

Tourism Product Management (\$1.0 million)

A record 3,373 tourism suppliers were registered for Tourism BC marketing programs (an increase of 13.8%) and 1,988 accommodation inspections were conducted (including Canada Select grading) to ensure high quality standards for consumers.

Training Services (\$0.4 million)

17,106 participants completed SuperHost® training programs (an increase of 12.9%) and revenue targets were exceeded by 6.4%. Training programs continue to be a challenge due to a lack of participants in pre-employment training programs and the overall labour shortage.

Corporate Performance – Goal 2

Measure: Number of visitors served at Visitor Centre locations (millions)						
Past Performance		2006/07 Performance:		Future Targets		
		Target not met				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
3.27	3.40	3.55	3.32	3.60	3.70	4.00

This measure tracks the number of visitors seeking tourism information or making tourism reservations at the 110+ Visitor Centre locations throughout the province. High gas prices and lower exchange rates on the US dollar were the main contributing factors to the target not being met. The Visitor Centre locations provide the source of this data.

Measure: Number of tourism businesses listed on HelloBC.com						
Past Performance		2006/07 Performance:		Future Targets		
		Target not met				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
2,799	2,964	3,900	3,373	3,900	4,200	4,500

This measure tracks the number of tourism businesses registering for Tourism BC online programs. These tourism businesses provide both tourism information and reservation opportunities for visitors. The launch of non-accommodation product was delayed, resulting in the target not being met. However, the actual number of businesses listed on HelloBC.com increased 13.8% over the previous year. Tourism BC is the source of this data.

Measure: Number of participants trained through SuperHost® training programs						
Past Performance		2006/07 Performance:		Future Targets		
		Target not met				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
19,600	15,300	23,000	17,106	20,000	22,000	24,000

The SuperHost program is in place to help achieve one of Tourism BC's mandated objectives: "to enhance professionalism in the tourism industry." An overall human resource shortage in the province made the target difficult to achieve, however, Tourism BC will continue to set aggressive future targets in an effort to help prepare tourism businesses and their staff for when the province "welcomes the world" in 2010. Tourism BC is the source of this data.

Goal 3: Improve tourism market readiness of new and emerging tourism sectors/products.

Goal 3 is supported by the Business Development division. Strategies under this goal are intended to improve the ability of existing and new tourism operators to access information and services that will help them grow their business by identifying opportunities, acting on them and continuing to innovate. Successfully implemented, these strategies will create the conditions needed to ensure the tourism industry is forward-looking and responsive to tourism market demands.

Key programs and investments included:

Aboriginal Tourism (\$1.0 million)

Working with the Aboriginal Tourism Association of British Columbia, Tourism BC assisted with the development of the *Aboriginal Tourism Blueprint Strategy*, an historic document that is intended to grow the Aboriginal tourism opportunity throughout the province.

Community Co-operative Marketing (\$0.4 million)

Tourism BC oversaw the development of new and expanded community-focused marketing programs that further built on the existing Tourism Partners community programs. Funding partners included all six RDMOs, individual communities, chambers and the UBCM.

Communities supported as part of the **Community Tourism Foundations®** marketing program included:

- | | |
|------------------|-------------------|
| ♦ 100 Mile House | ♦ Nanaimo |
| ♦ Abbotsford | ♦ North Vancouver |
| ♦ Campbell River | ♦ Osoyoos |
| ♦ Chilliwack | ♦ Pitt Meadows |
| ♦ Comox | ♦ Port Moody |
| ♦ Coquitlam | ♦ Powell River |
| ♦ Kamloops | ♦ Smithers |
| ♦ Kelowna | ♦ Surrey |
| ♦ Maple Ridge | ♦ Mission |
| ♦ Merritt | ♦ Williams Lake |

Community Tourism Foundations Development (\$0.5 million)

This was the second year of the Community Tourism Foundations development program, designed to assist communities in developing local tourism strategies and increase overall participation in tourism marketing. For 2006/07, twenty new communities or community consortiums began working with the program. Communities were assigned a facilitator to assist the community working group with examining their tourism activities, conducting a situation analysis, developing a research-based tourism plan and participating in co-operative marketing initiatives.

The new development communities included:

- | | |
|----------------------------|-----------------------|
| ♦ Ashcroft | ♦ Alert Bay |
| ♦ Cache Creek | ♦ Port Hardy |
| ♦ Bella Coola | ♦ Port McNeil |
| ♦ Blue River | ♦ Prince George |
| ♦ Fernie | ♦ Prince Rupert |
| ♦ Kimberley | ♦ Quesnel |
| ♦ Ladysmith | ♦ Wells / Barkerville |
| ♦ Merritt | ♦ Smithers |
| ♦ New Westminster | ♦ Tofino / Ucluelet |
| ♦ Nimpo/Tatla/Anahim Lakes | ♦ West Vancouver |

Experiences BC (\$0.4 million)

Tourism BC continued the process of facilitating the development of provincial product sectors through planning, training and market readiness programs. For 2006/07, seven product sectors were part of the strategic planning process: History and Heritage, Nordic activities, Camping and RV, River Experiences, Scuba Diving, Cycling and Cuisine.

Market Research (\$1.1 million)

Research is conducted to support Tourism British Columbia's program planning and evaluation, tourism industry tracking and performance and to produce estimates of visitor volume and revenue. New research projects included: consumer research in key overseas and North American markets, visitor surveys and evaluation at four Visitor Centre locations, market research and program evaluation for the Tourism Partners program, market research supporting the **Community Tourism Foundations®** program and business surveys for the Experiences BC program.

British Columbia Magazine™ (\$0.2 million)

In its 48th year, British Columbia Magazine provides awareness of the province, through spectacular photography and well written stories on people, places and journeys to almost 120,000 subscribers in 120 countries around the world. In 2006, British Columbia Magazine remained the second most-read magazine in British Columbia, behind Reader's Digest. The magazine won 6 editorial awards at the International Regional Magazine Awards and advertising sales were up 14%.

Sport Tourism (\$0.2 million)

This year was the second year of the sport tourism program delivered in partnership with 2010 Legacies Now. Eight Community Sport Tourism workshops were delivered throughout the province this year. The second annual BC Sport Tourism Community Legacy Award, created as part of this program, was awarded to the City of Kamloops at the BC Tourism Industry Awards. In partnership with the Ministry of Sport, Tourism and the Arts and 2010 Legacies Now, Tourism BC co-hosted the 3rd Annual BC Sport Tourism Events Marketplace, where 29 communities met with Provincial Sport Organizations in a trade show format. A promotional piece detailing the benefits of sport tourism was developed in partnership with the Ministry of Tourism, Sport and the Arts and 2010 Legacies Now.

Tourism Business Essentials® (\$0.1 million)

As part of Tourism BC's commitment to growing tourism throughout the province, the Tourism Business Essentials series, consisting of nine guides and five corresponding workshops, helps tourism operators develop stronger skills and knowledge for building successful businesses. During 2006-2007, 21 workshops were held in the province. In total, 40 workshops have been hosted in the six regions of the province:

- Eight Travel Media Relations (Clearwater, Invermere, Whistler, Fernie, Penticton (TIC), Campbell River, Bella Coola, Prince George)
- Nine Tourism Packaging & Product Distribution (Clearwater, Prince George, Golden, Penticton (TIC), Vancouver, Prince George, Dawson Creek, Parksville, Victoria)
- Five Advanced Tourism Packaging and Product Distribution (Parksville, Clearwater, two workshops in Victoria (one for TIC) and Port Alberni)
- Eight Ads & Brochures that Sell (Anahim Lake, Prince George, Penticton (TIC), Clearwater, Campbell River, Vanderhoof, Vernon)
- Eight Sport Tourism (Williams Lake, Lillooet, Vernon, Tri Cities, Quesnel, Campbell River, Trail, Powell River)

Guide titles include: Travel Media Relations, Tourism Packaging & Product Distribution, Ads & Brochures that Sell, Sport Tourism, Internet Marketing, Hospitality Law, Environmentally Responsible Tourism, Starting a Tourism Business and Employees First – The Essential Human Resources Guide for Tourism Operators.

Corporate Performance – Goal 3

Measure: Total number of communities assisted						
Past Performance		2006/07 Performance:		Future Targets		
		Target met				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
10	18	20	20	150	162	174

To measure the number of communities provided with assistance from Tourism BC's tourism community programs. The measure for future targets has been changed from annual to cumulative to provide better overall reporting. Tourism BC is the source of this data.

Measure: British Columbia Magazine™ circulation (000's)						
Past Performance		2006/07 Performance:		Future Targets		
		Target exceeded				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
110	115	115	116.5	116	116	116

To measure exposure to Tourism BC's highly acclaimed magazine. Target exceeded due to circulation marketing efforts. An independent third party has also done a study demonstrating that each magazine edition has an average readership of 1.4 million readers.

Measure: Unique visits to research section on corporate website						
Past Performance		2006/07 Performance:		Future Targets		
		Target exceeded				
2004/05	2005/06	Target	Actual	2007/08	2008/09	2009/10
11,900	15,000	12,500	16,800	16,000	17,000	18,000

To measure the number of users of Tourism BC-produced industry research. Results were better than expected due to increased Tourism BC-provided statistical content. Tourism BC is the source of this data.

Goal 4: Create a positive corporate culture within an efficient and effective organization.

Goal 4 is supported by the Corporate Services and Human Resources Development divisions. Strategies supporting this goal contribute to Tourism British Columbia's performance by continuing to strengthen the qualities that make it a highly effective organization.

Key strategies:

- Conduct survey of Tourism British Columbia stakeholders to evaluate effectiveness of programs
- Leverage Tourism British Columbia funding with partners to maximize purchasing power and exposure of tourism product
- Keep administration costs below those of comparable organizations
- Continue to instill a values-based and productive corporate culture.

Measure: Industry stakeholder satisfaction survey of Tourism BC programs and services (1-5 scale)						
Bench- mark	2005/06	2006/07 Performance:		Future Targets		
		Target met				
		Target	Actual	2007/08	2008/09	2009/10
3.5	3.93	3.9	3.9	3.9	3.9	3.9

To ensure Tourism BC continues to deliver programs and activities that provide value for tourism stakeholders, an independent, third-party random survey of 550 industry stakeholders is conducted annually by Malatest & Associates. These include responses from hotel operators, attractions, tour operators and other industry stakeholders. Overall, satisfaction levels across all stakeholder groups have increased by 2.4% since 1999.

Measure: Employee survey: "I am proud to work for my organization"						
Bench- mark	2005/06	2006/07 Performance:		Future Targets		
		Target met				
		Target	Actual	2007/08	2008/09	2009/10
62%*	95%	95%	95%	95%	95%	95%

* Benchmark is Provincial Government public service 2006.

To measure employee satisfaction. This is a new measure that replaces "I have confidence in the leadership abilities of executives." Tourism BC is the source of this data.

Measure: Employee survey: "The work I do makes an important contribution to my organization's success"

Bench- mark	2005/06	2006/07 Performance:		Future Targets		
		Target met		2007/08	2008/09	2009/10
		Target	Actual			
68%*	87%	93%	93%	93%	93%	93%

* Benchmark is Provincial Government public service 2006.

This is a new measure designed to further measure employee satisfaction. Tourism BC is the source of this data.

Tourism British Columbia was also named in Canadian Business Magazine's top 50 "Best Workplaces in Canada" for 2007. Most notable was the organization's 6th place ranking in response to the question: "Taking everything into account, I would say this is a great place to work" with agreement from 94% of employees.

Measure: Cost of support services per employee (\$000s)

Bench- mark	2005/06	2006/07 Performance:		Future Targets		
		Target exceeded		2007/08	2008/09	2009/10
		Target	Actual			
40.7*	22.5	22.0	21.5	10.0%	9.0%	9.0%

* Benchmark is federal tourism organization.

To measure support services costs (accounting operations, facilities, administration, Human Resources, CEO's office, Board and Communications) as a percentage of total budget and to compare against a similar organization. Future targets will be the cost of support services as a percentage of total corporate budget.

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations last five years, and comparison to plan:

\$000s	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2006/07 Budget	Budget Variance
Hotel room tax	24,511	24,200	26,015	27,565	29,950	29,500	450
Provincial Gov't grants and contributions	2,000	750	12,025	22,834	20,722	20,500	222
Program and other income	8,151	8,012	7,298	8,498	8,937	8,838	99
Total revenue	34,662	32,962	45,338	58,897	59,609	58,838	771
Marketing	14,317	17,115	13,496	32,335	29,360	30,003	643
Visitor services	11,710	12,268	10,723	14,219	14,339	13,299	(1,040)
Business development	4,725	3,445	3,194	4,902	7,310	6,701	(609)
Support services and facilities	3,229	3,439	3,609	4,292	4,689	4,755	66
Amortization	490	312	1,289	1,556	3,401	3,400	(1)
Grants to regional marketing orgs	-	-	12,000	-	-	-	-
Write-down of intangible asset	-	-	1,008	570	-	-	-
Total expenses	34,471	36,579	45,319	57,874	59,099	58,158	(941)
Net revenue (expenses)	191	(3,617)	19	1,023	510	680	(170)
Closing net equity	7,618	4,005	4,024	5,047	5,557		
Full-time equivalents	105	108	111	127	138	138	

Assessment of results of operations and changes in financial conditions

Revenue

The domestic market was the primary driver of a gain in hotel room tax revenue of 8.7% over last fiscal year, as overnight custom entries were down from the US 2.0%, Asia/Pacific 1.1% and Europe 3.4%. As a result of better-than-anticipated hotel room tax growth, the grant from the Ministry of Tourism, Sport and the Arts (to top up Tourism BC's funding to \$50 million) was only \$20,050 million compared to a budget of \$20.5 million. Other provincial contributions totaling \$672,000 are referenced in the audited financial statements.

Program and other revenue was up slightly from plan. The increase over plan was primarily a result of higher-than-anticipated interest income.

Expenses

The Marketing division's spending was 2.2% less than plan due to some marketing programs being partially deferred until 2007/08. This included the Meetings BC and Experiences BC programs. The decrease from 2005/06 was a result of regional partners receiving their total fee-for service component in the first year of a three year contract.

Visitor Services spending was 7.8% over budget primarily due to Human Resource Development grants being issued in March instead of April 2007. Tourism BC is not permitted to deficit spend in any one year, so using the 2006/07 surplus to fund these grants (budgeted in 2007/08) provided some necessary budget room in 2007/08 to help fund programs deferred from 2006/07 (see Marketing).

Business Development spending was over budget by 10% as a result of providing \$1.0 million to the Aboriginal Tourism Association of British Columbia. As per the previous paragraph, these funds were included in the 2007/08 budget, but were spent in fiscal 2006/07 to utilize surplus funds available in 2006/07.

Support services, which include Corporate Services, Human Resource Development, Communications, CEO's office and board expenses were lower than budget by 1.4%.

Risks, Uncertainties and Future Outlook

Tourism BC's primary goal is to double tourism revenues by 2015. Tourism BC recognizes that there are many variables in attaining this goal that are outside Tourism BC's control: the overall health of the economy, gas prices, border security issues, exchange rates, air access and cost, Approved Destination Status with China, terrorism and flu pandemics are just some examples. However, Tourism BC believes that the marketing opportunities created by the 2010 Olympic and Paralympic Winter Games make this an attainable goal.

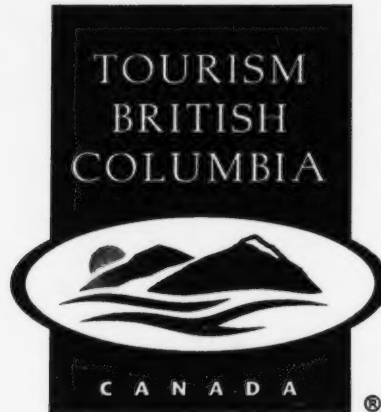
Tourism BC's annual funding, comprised of its 1.65 points of the hotel room tax and a grant from the Ministry of Tourism, Sport and the Arts, is \$50 million. In previous years, the corporation was subject to the risk of hotel room tax revenues being less than forecast. This risk is eliminated with the grant from the Ministry, which will fix Tourism BC's funding at \$50 million for 2007/08. Effective for 2008/09, Tourism BC will receive 3 points of the 8% hotel tax, which will raise Tourism BC funding back to its original performance based model. At current forecasts, 2008/09 funding would equate to \$60 million.

Tourism British Columbia's Financial Forecast (from the 2007/08 Service Plan)

\$000s	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate
Revenue			
Hotel room tax (note 1)	\$ 32,400	\$ 61,700	\$ 64,800
Grant from Ministry of Tourism Sport and Arts (note 2)	17,600	-	-
Other Provincial Government contributions	50	200	200
	<u>50,050</u>	<u>61,900</u>	<u>65,000</u>
Interest and other	580	480	480
	<u>50,630</u>	<u>62,380</u>	<u>65,480</u>
Operations, net			
Marketing	26,649	36,095	37,978
Visitor servicing	11,487	11,468	12,333
Business development	4,107	5,951	6,180
Support services	5,037	5,166	5,289
Amortization	3,350	3,700	3,700
Writedown of intangible asset	-	-	-
	<u>50,630</u>	<u>62,380</u>	<u>65,480</u>
Net operating revenue	<u>-</u>	<u>-</u>	<u>-</u>
Capital investment			
Marketing technology and website	3,723	2,745	1,820
Osoyoos Gateway Visitor Centre	-	-	-
Peace Arch Gateway Visitor Centre	4,570	-	-
Merritt Gateway Visitor Centre	3,066	-	-
Other	461	671	165
	<u>11,820</u>	<u>3,416</u>	<u>1,985</u>
FTEs	143	145	146

Key Assumptions and Risks

- Note 1** Hotel tax revenue forecasts provided by the Ministry of Finance. Currently, Tourism BC receives 1.65 points of the 8% hotel tax. Beginning in fiscal 2008/09, the plan assumes that Tourism BC will receive 3.0 points of the 8% hotel tax.
- Note 2** Until 2008/09, Tourism BC's annual funding is a fixed \$50 million, sourced from their share of the hotel tax and an annual operating grant from a voted appropriation from the Ministry of Tourism, Sport and the Arts. The risk of a decline in hotel tax would be offset by an increase to the ministry grant in order to maintain total funding of \$50 million.



**Financial Statements
For the Year Ended
March 31, 2007**



Management's Report

The financial statements of Tourism British Columbia for the year ended March 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the financial position of Tourism British Columbia as at March 31, 2007, and the results of operations and changes in cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.

Rod Harris
President and Chief Executive Officer
Tourism British Columbia

Len Dawes, CA
Chief Financial Officer
Tourism British Columbia

May 22, 2007

12th Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3A8
Phone: (604) 660-2861 / Fax: (604) 660-3383
Corporate: www.tourismbc.com Consumer: HelloBC.com



Report of the Office of the Auditor General of British Columbia

*To the Board of Directors of
Tourism British Columbia, and*

*To the Minister of Tourism, Sport and the Arts
Province of British Columbia:*

I have audited the statement of financial position of *Tourism British Columbia* as at March 31, 2007 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of *Tourism British Columbia* as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
May 22, 2007*

Errol Price, CA
Deputy Auditor General

TOURISM BRITISH COLUMBIA

Statement of Financial Position

(in \$000s)

March 31, 2007 2006

Assets

Current assets

Cash (Note 15)	23,220	15,498
Receivables		
Province of British Columbia	2,657	2,488
Program	993	1,113
Inventories	106	101
Prepaid	244	2,068
	<u>27,220</u>	<u>21,268</u>

Loans receivable (Note 5) 178 110

Intangible asset (Note 7) 275 277

Property, plant and equipment (Note 6) 6,465 5,570

34,138 27,225

Liabilities and equity

Current liabilities

Payables and accruals

Program	15,568	14,115
Province of British Columbia	385	445
Current portion of long term liabilities (Note 8)	228	81
Deferred revenue	2,619	2,664
Deferred contributions (Note 11)	76	334
	<u>18,876</u>	<u>17,639</u>

Long term liabilities (Note 8) 448 1,079

19,324 18,718

Equity

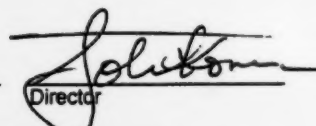
Net assets	5,557	5,047
Contributed surplus (Note 14)	7,997	2,200
Contributed land (Note 10)	1,260	1,260
	<u>14,814</u>	<u>8,507</u>

34,138 27,225

Commitments (Note 9)

Approved on behalf of the Board:


Board Chair


Director

The accompanying notes are an integral part of these financial statements.

TOURISM BRITISH COLUMBIA

Statement of Operations and Net Assets

(In \$000s)

Year ended March 31,	2007	2008
Hotel room tax	29,950	27,565
Grants and contributions (Note 13)	20,722	22,834
Program revenue (Note 3)	8,043	8,094
Investment and miscellaneous income	894	404
	<u>59,609</u>	<u>58,897</u>
Marketing	29,360	32,335
Visitor services	14,339	14,219
Business development	7,310	4,902
Support services	4,689	4,292
Amortization	3,401	1,556
Write down of Intangible asset (Note 7)	-	570
	<u>59,099</u>	<u>57,874</u>
Net revenue	510	1,023
Net assets, beginning of year	5,047	4,024
Net assets, end of year	<u>5,557</u>	<u>5,047</u>

The accompanying notes are an integral part of these financial statements.

TOURISM BRITISH COLUMBIA

Statement of Cash Flows

(In \$000s)

Year ended March 31,

2007

2006

Operating activities

Net revenue	510	1,023
Change in working capital		
Receivables	(49)	1,717
Inventories	(5)	38
Prepaid expenses	1,824	(581)
Loans receivable	(68)	-
Payables and accruals	1,393	7,695
Deferred revenue	(45)	(2)
Deferred contributions	(258)	(844)
	<u>2,792</u>	<u>8,023</u>
Items not involving cash		
Amortization expense	3,401	1,556
Amortization of contributed surplus	(3)	-
Writedown of intangible asset	-	570
	<u>6,700</u>	<u>11,172</u>
Cash flows from operating activities		

Investing activities

Additions to capital assets	(4,246)	(983)
Additions to intangible assets	(48)	(41)
	<u>(4,294)</u>	<u>(1,024)</u>
Cash flows (used in) investing activities		

Financing activities

Deferred capital contributions	5,800	200
Long term liabilities	(484)	121
	<u>5,316</u>	<u>321</u>
Cash flows from financing activities		
Net increase in cash	<u>7,722</u>	<u>10,469</u>
Cash beginning of year	<u>15,498</u>	<u>5,029</u>
Cash end of period	<u>23,220</u>	<u>15,498</u>

The accompanying notes are an integral part of these financial statements.

TOURISM BRITISH COLUMBIA

Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

1. Authority and purpose

Tourism British Columbia (the Corporation) is a provincial Crown corporation established by the *Tourism British Columbia Act* on June 27, 1997. The purpose of the Corporation is to promote development and growth in the tourism industry, to increase revenue and employment in the industry throughout British Columbia and to increase the economic benefits generated by the industry.

Under the *Tourism British Columbia Act*, Tourism British Columbia is entitled to the net revenue collected under section 3.1 of the *Hotel Room Tax Act*.

The Corporation is exempt from federal and provincial income taxes and from the federal goods and services tax.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition

Hotel room tax revenue is recognized in the period that consumers are charged the tax on their accommodation by the provincial government.

Program revenues are recognized in the period services are rendered.

Subscription revenues in the *British Columbia Magazine* operations are deferred and recognized as the magazine is published.

Contributed surplus is amortized to revenue over the expected life of the buildings which they fund.

(b) Intangible assets

Trademarks are amortized over their estimated useful life.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value.

Supplies inventories are valued at cost.

(d) Related parties

Tourism British Columbia is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

(e) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

Buildings	40 years
Computer equipment	3 years
Destination management system	3 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease
Trademarks	10 years
Trail improvements	10 years
Vehicles	5 years

Computer software and assets costing less than \$500 are expensed in the year of purchase.

(f) Foreign currency translation

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

(g) Construction-in-progress

Assets under construction or development are recorded at cost and include direct costs during construction or development. When these asset are operational, their costs will be amortized over their estimated useful lives.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of the revenues and other expenditures during the period. Actual results could differ from these estimates.

3. Program revenue

	<u>2007</u>	<u>2006</u>
BC Magazine	2,409	2,365
Commission and sign up fees	2,717	2,736
Listing fees	1,382	1,530
Display ads	689	624
Training Services	319	308
Merchandise sales and royalties	274	240
Quality assurance program	190	189
Miscellaneous	63	102
	<u>8,043</u>	<u>8,094</u>

4. Financial Instruments

The Corporation's financial instruments consist of cash held in its various bank accounts, accounts and loan receivable, accounts payable and long term liabilities. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

5. Loans receivable

Tourism British Columbia has extended two loans totaling \$110,000 to Adventure Management Ltd., the contracted service provider that operates the Coquilhalla and Mt. Robson Visitor Centres; a loan of \$42,000 to Kicking Horse Mountain Resort Ltd., the contracted service provider that operates the new Golden Visitor Centre; and a loan of \$28,000 to Destination Osoyoos Development Society, the contracted service provider that operates the new Osoyoos Visitor Centre. The purpose of these loans is to support a royalty model for merchandise sales at these Tourism British Columbia operated Visitor Centres by providing financing for the purchase of inventory for resale. Interest on these loans is currently calculated at 5% per annum, payable monthly, with the principal due upon termination of the contract.

6. Property, plant and equipment

	2007		2006
	Cost	Accumulated Amortization	Net Book Value
Contributed land (Note 10)	1,260	-	1,260
Assets under construction			
Peace Arch Visitor Centre	188	-	188
Merritt Visitor Centre	24	-	24
Reservation System	139	-	139
	351	-	351
Destination management system	5,453	4,234	1,219
Consumer websites	2,438	1,739	699
Computer equipment	1,475	1,405	70
Trail improvements	553	87	466
Osoyoos Visitor Centre	1,741	3	1,738
Furniture and equipment	941	660	281
Leasehold improvements	825	495	330
Vehicles	87	36	51
	13,513	8,659	4,854
	15,124	8,659	6,465

7. Intangible assets

	2007		2006
	Cost	Accumulated Amortization	Net Book Value
Registered trademarks	496	221	275

The estimated fair value of the BC Magazine subscriber list acquired in 2001 was written down in the prior year from \$570,461 to \$0.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

8. Long term liabilities	2007	2006
Employee leave liability	413	429
Less: Current portion	(228)	(81)
	185	348
Amount heldback for contracts	3	477
Employee future post-retirement benefits	280	254
	448	1,079

9. Commitments

The future remaining commitments are:	Office Leases	Contractual Obligations	Total
2007/8	1,387	24,136	25,523
2008/9	1,392	18,239	19,631
2009/10	1,434	11,308	12,742
2010/11	1,137	10,105	11,242
2011/12 and beyond	3,527	3,000	6,527
	8,877	66,788	75,665

Tourism British Columbia has many contractual obligations in place, however, all Tourism British Columbia contractual obligations have a termination clause.

10. Contributed land

In May 2004, Trans Canada Trail Foundation donated land parcels of former rail trails to Tourism British Columbia. This land has been recorded at \$1,259,800 on the balance sheet based on the property assessments at the time of transfer.

11. Deferred Contribution

On May 15, 2004, Tourism British Columbia signed a contribution agreement with the Community Futures Development Corporation (CFDC) under the Softwood Industry Community Economic Adjustment Initiative (SICEAI), a federal government program aimed at "offering sustainable and tangible economic benefits" to communities impacted by the softwood lumber dispute with the United States. Under the terms of the agreement, CFDC will match funding towards "Rails to Trails Infrastructure Improvements" up to a maximum of \$2.1 million. The trails eligible under the agreement include both Tourism British Columbia and other crown land. Tourism British Columbia has recorded its contribution of \$552,800 as trail improvements, and unspent contributions from regional districts of \$76,000 (2005/06: \$334,459) as a deferred contribution, pending completion of the trail improvements.

12. Employee benefit plans

Employee future pension benefits

Tourism British Columbia and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) has determined the Plan has an unfunded liability. As a result, the actuary has determined that an increase

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

In contribution rates of 1.88% each, for plan members and employers, is necessary in order for the Plan to maintain its long term financial soundness and thus its ability to meet the pension promise made to plan members. The trustees have decided that this increase in rates will be introduced effective April 1, 2006. The total amount paid into this pension plan by Tourism British Columbia for the 2006/07 fiscal year was \$861,897 (2005/06: \$486,911).

Employee future post-retirement benefits

Obligations for employee retirement allowances are detailed in the Corporation's collective agreement. The Corporation has accrued the estimated costs of these benefits, and has adopted the policy on a prospective basis with no retroactive restatement of prior year amounts. The total amount accrued in long term liabilities at March 31, 2007 was \$260,578 (2005/06: \$253,526).

Employee pension - United Kingdom

Tourism British Columbia implemented a defined contribution pension plan for staff working in the United Kingdom in fiscal 2004. Staff contribute 5% of their base salary with a matching amount contributed by Tourism British Columbia. The pension plan is administered by Thomson's Wealth Management, a contracted pension administrator located in the United Kingdom. The total amount paid into this pension plan by Tourism British Columbia for the 2006/07 fiscal year was \$5,568 (2005/06: \$8,602).

13. Provincial operating grants and contributions

	<u>2007</u>	<u>2006</u>
Grants		
Ministry of Tourism, Sport and the Arts	<u>20,050</u>	<u>22,435</u>
	20,050	22,435
Contributions		
Ministry of Finance	308	158
Union of BC Municipalities	302	223
Ministry of Transportation & Highways	59	-
Ministry of Tourism, Sport and the Arts (Note 14)	3	-
Ministry of Agriculture and Lands	-	18
	<u>672</u>	<u>399</u>
Total	<u>20,722</u>	<u>22,834</u>

The grant from the Ministry of Tourism, Sport and the Arts is provided to Tourism British Columbia to make up the difference between Tourism British Columbia's share of the Hotel Tax and \$50 million. The Ministry of Transportation and Highways contribution of \$317,000 was received in fiscal 2005/06; \$59,000 was spent in 2006/07, but \$208,000 has been deferred to match against future expenses. \$500,000 was received in fiscal 2005/06 from the Union of BC Municipalities for Picture BC; \$302,250 was deferred to match against its intended use. In 2006/07, \$308,900 was received from the Ministry of Finance to fund the collective agreement signing bonuses for included staff; \$158,000 was received in 2005/06 for excluded employees.

14. Contributed surplus

In December 2006, Tourism British Columbia received \$5.8 million from the Ministry of Tourism, Sport and the Arts for the construction of new Visitor Centres at Merritt and Peace Arch; this is in addition to the \$200,000 received in March 2006 for these projects. In March 2005, \$2.0 million was received for the construction of a new Visitor Centre at Osoyoos. These funds have been recorded as contributed surplus and is being recognized as revenue over the estimated life of the buildings.

TOURISM BRITISH COLUMBIA
Notes to the Financial Statements

Year ended March 31, 2007
(tabular amounts in \$000s)

15. Cash

Cash for restricted purposes represents funds received for construction of Visitor Centres and trail improvements.

	2007	2006
Unrestricted cash	16,965	12,635
Cash for restricted purposes	6,255	2,863
Total cash	23,220	15,498

16. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the current year presentation.

CORPORATE GOVERNANCE

Tourism British Columbia is accountable to the Minister of Tourism, Sport and the Arts and its principal stakeholder group is the BC tourism industry. The corporation is appropriately governed by a 15 member industry-led board of directors with management, financial and legal authority as ascribed under the *Tourism British Columbia Act*. The Board of Directors provide policy direction and leadership. The CEO, a position appointed by the board, manages the implementation of policies and corporate goals.

In 2006, the Board of Directors employed Elizabeth Watson to undertake a review of the Corporation's governance. The process required completion of the following tasks in fiscal 2006/07:

- Establish skills-based Board
- Review role of Chair
- Establish foundation committees – Audit & Governance
- Establish Board evaluation system
- Establish CEO evaluation system
- Designate Corporate Secretary
- Recruit Directors based on competency (on-going)

Board Governance Principles

The Board of Directors has adopted the guiding principles included in the provincial government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown corporation governance environment:

- Stewardship, Leadership and Effective Functioning of the Board
- Clarity of Roles and Responsibilities
- Openness, Trust and Transparency
- Service and Corporate Citizenship
- Accountability and Performance
- Value, Innovation and Continuous Improvement

Governance Practices

As of April 1, 2006, Crown agencies are required to disclose the status of their governance practices in relation to Section 3 of the Board Resourcing and Development Office's "Best Practice Guidelines for Governing Boards of BC Public Sector Organizations." Tourism BC is fully complying with these governance and disclosure guidelines, as detailed on our website at www.tourismbc.com.

2006/07 Board of Directors

Allen Tozer

Chair

Allen Tozer is President of Lexlaur Properties Inc., a hospitality and commercial property company. Mr. Tozer is a Member of the Board of Governors of Okanagan College, Member of the Board of B.C. Assessment, Vice President of Finance and Director of Thompson Okanagan Tourism Association and Coordinator of the Okanagan Wine Festivals Society. He served as President of the Thompson Okanagan Tourism Association in 1998, and of its precursor – the Okanagan Similkameen Tourism Association – from 1995 to 1998, after serving five years as a director.

Kevin Walker

Vice Chair

Kevin Walker is President of Walker Hospitality which owns and operates the Oak Bay Beach Hotel in Victoria and manages the Miraloma on the Cove, a 5 star boutique hotel in Sidney, British Columbia. With a career in tourism spanning 30 years, Kevin Walker is currently a member of the Premier's Tourism Industry Advisory Council, Chair of the Hotel Association of Canada and in 2005 he received the prestigious "BC Tourism Industry Leader of the Year" award.

Bill Barkley

Bill Barkley is very well known in museum, heritage and tourism circles. He spent 24 years in management at the Royal British Columbia Museum and was the CEO from 1984 to his retirement in 2001. Currently Bill is a busy cultural consultant working on projects in BC and across Canada. Bill serves on several boards including the Craigdarroch Castle, the Nature Conservancy of Canada, the Federation of Canadian Friends of Museums and as chair of the Virtual Museum of Canada.

Frank Bourree

Frank Bourree is a principal in Chemistry Consulting. Formerly a Business Consulting Partner for Grant Thornton LLP's Business Consulting Services division in Victoria, he has more than 25 years of personal and professional experience in the tourism and hospitality industry and is widely recognized as an expert advisor to the accommodation and food and beverage sectors.

David Brownlie

David Brownlie is Chief Operating Officer for Intrawest Mountain Resorts, Canada including Whistler Blackcomb and Panorama. A graduate of the University of British Columbia and a Chartered Accountant, David Brownlie has played an integral role in the development of these resorts and is an active participant in the community. He serves as a Director with the Whistler Resort Association and is President of the Whistler Blackcomb Foundation.

Harley Elias

Harley Elias is a Director for Tourism Campbell River and Region. He has a broad ranging background in tourism education, market research, hospitality consulting, resort operations and management. He also serves as co-Chair of the Board of the BC Centre for Tourism Leadership and Innovation.

Terry Farmer

Terry Farmer is the Founder and President/CEO of Accent Inns Inc. He is Past President of the BC Chamber of Commerce and has sat on many tourism business and charity boards. In 1998, he was awarded the Entrepreneur of the Year Award for Tourism and Hospitality (Pacific Region).

Kelley Glazer

Kelley Glazer is formerly the Director of Sales and Marketing for the Delta Victoria – Ocean Pointe Resort & Spa. She was previously the Director of Sales and Marketing for the Ramada Hotel Downtown in Prince George. She has also served as President of the Northern British Columbia Tourism Association and was a Director of the Council of Tourism Associations of British Columbia.

John Korenic

John Korenic is the Aviation Marketing Director for the Vancouver International Airport Authority. He was also formerly a director of Pacific and Europe Alliances for Canadian Airlines International Ltd. and worked with Wardair Canada Inc.

Charles McDiarmid

Charles McDiarmid is the Managing Director of the Wickaninnish Inn & Point Restaurant in Pacific Rim National Park. He also served as Tourism Vancouver's Sales Director after working for the Four Seasons Hotel Group in management positions in Calgary, Newport Beach, Dallas, Seattle and Washington, D.C.

Debbie McKinney

Debbie McKinney is General Manager, Group Sales and Marketing with one of British Columbia's most unique and popular historical visitor attractions – the Hell's Gate Airtram. She has had extensive industry involvement including a wide range of positions with the Vancouver Attractions Group, Vancouver, Coast & Mountains Tourism Region and the Council of Tourism Associations. She currently chairs the Vancouver Attractions Group and has a strong commitment to destination development and marketing the **Super, Natural British Columbia®** brand to the world.

Stuart McLaughlin

Stuart McLaughlin is President of Grouse Mountain Resorts, Whistler Water, Polaris Water Company and Director of the Mountain Experience for Kicking Horse Mountain Resort. He is a Past Chair of Tourism Vancouver.

Don Monsour

Don Monsour is a past President of the Council of Tourism Associations of BC (COTA). He is also the Chair of the Victoria Restaurant Association, the Chair of the International Culinary Tourism Association and is Past President of the British Columbia Restaurant and Foodservices Association.

Mike Smith

Mike Smith is a Principal, Links Investments Ltd, a consulting/management business focusing on the golf industry in British Columbia. He was the owner/operator of a successful group of retail stores in the Kootenay Rockies and has had extensive experience in destination marketing. Currently Chair of Kootenay Rockies Tourism, Mike Smith has contributed tremendously to the development of the tourism industry in British Columbia.

2006-2007 Committees of the Board

The Executive Committee makes decisions on behalf of the Board in extraordinary circumstances and assists the Board of Directors in the areas of audit, Human Resource policy, and policy matters and special issues not normally dealt with by other standing committees. The committee also assists the Board of Directors with the nomination and recommendation to the Minister responsible and Lieutenant Governor in Council of the recommended candidates to fill industry member seats as members' terms expire.

Members:

Allen Tozer, Kevin Walker, Dave Brownlie, Terry Farmer, Kelley Glazer, Stuart McLaughlin

The Corporate Services and Audit Committee reports to the Board of Directors on financial, administrative and human resource issues.

Members:

Dave Brownlie (Chair), Frank Bourree

The Visitor Services Committee assists the Board of Directors with major policy decisions in the visitor services area.

Members:

Terry Farmer (Chair), Harley Elias, Debbie McKinney

The Business Development Committee assists the Board of Directors with major policy decisions in the areas of business and marketing development.

Members:

Kelley Glazer (Chair), Bill Barkley, Don Monsour

The Marketing Committee assists the Board of Directors with major policy decisions in the areas of consumer and trade marketing.

Members:

Stuart McLaughlin (Chair), John Korenic, Charles McDiarmid, Mike Smith

TOURISM BRITISH COLUMBIA OFFICERS

Rod J. Harris, *President and Chief Executive Officer*

Rod Harris was appointed CEO and president of Tourism British Columbia by the Board of Directors upon its establishment as a Crown corporation in 1997. He has held senior management positions in the private and public sectors, including serving on the Board of the Canadian Tourism Commission.

Grant Mackay, *Vice President, Marketing & Sales*

Grant Mackay was appointed vice president of Marketing & Sales in 1997, and is responsible for developing Tourism British Columbia's marketing and sales strategies. He joined Tourism British Columbia in 1995 after 17 years of management experience in the packaged-goods industry.

Rick Lemon, *Vice President, Visitor Services*

Rick Lemon was appointed vice president of Tourism Operations in 1997 and has been with Tourism British Columbia for 26 years. He is responsible for visitor services and sales, tourism product management and research training services. Rick designed the groundbreaking SuperHost® training program and has been extensively involved with tourism development throughout British Columbia.

Don Foxgord, *Vice President, Business Development*

Don Foxgord was appointed vice president of Business Development in 1997 and is responsible for business development, **British Columbia Magazine™** and industry development. He joined Tourism British Columbia in 1987 after four years as regional manager of the British Columbia Rockies tourism region and has extensive experience in developing tourism around the province.

Len Dawes, CA, *Vice President & Chief Financial Officer, Corporate Services*

Len Dawes was appointed CFO of Corporate Services in 1998, and is responsible for Tourism British Columbia's financial, information and administrative systems. Len is a chartered accountant, and prior to joining Tourism BC, worked in the Ministry of Finance.

Rose Moss, *Vice President, Human Resource Development*

Rose Moss was originally appointed executive director of Human Resources in 2000. She is responsible for developing and implementing Tourism British Columbia's human resource infrastructure, which includes compensation, performance management, career development, recruitment, succession and labour relations. She has extensive HR experience in the private and public sectors.

GLOSSARY

Many of these terms are relevant for the British Columbia tourism industry.

ADS – Approved Destination Status (with China)

CFDC – Community Futures Development Corporation

CICA – Canadian Institute of Chartered Accountants

COTA – Council of Tourism Associations of BC

CTC – Canadian Tourism Commission

DMO – Destination Marketing Organization

DMS – Destination Management System

FIT – Fully Independent Travel

FAM – Familiarization Tour of Tourism Product

HRD – Human Resource Development (British Columbia Tourism HRD Task Force)

IAGTO – International Association of Golf Tour Operators

ITB – International Tourism Bourse

RDMO – Regional Destination Marketing Organization

SICEAI – Softwood Industry Community Economic Adjustment Initiative

TAWNC – Tourism Alliance for Western and Northern Canada

TIAC – Tourism Industry Association of Canada

TIC – Tourism Industry Conference

UBCM – Union of British Columbia Municipalities

WED – Western Economic Diversification

TOURISM BRITISH COLUMBIA OFFICES

Vancouver Office
12th Floor, 510 Burrard Street
Vancouver, BC V6C 3A8
Tel: 604-660-2861
Fax: 604-660-3383

Victoria Office
Box 9830 Stn. Prov. Govt.
3rd Floor, 1803 Douglas Street
Victoria, BC V8W 9W5
Tel: 250-356-6363
Fax: 250-356-8246

Australia Office
Level 5, 68 Alfred Street
Milsons Point
NSW 2061
Australia
Tel: 61-2-9959-4277
Fax: 61-2-9929-4543

UK Office
British Columbia House
3rd Floor, 3 Regent Street
London
SW1Y 4NS
United Kingdom
Tel: 44-20-7930-6857
Fax: 44-20-7930-2012

Germany Office
Frankfurter Strasse 175
63263 Neu-Isenburg
Germany
Tel: 49-61-02-202-993
Fax: 49-61-02-207-947

Japan Office
Nishimura Building 2F
1-5-6 Yotsuya, Shinjuku-ku
Tokyo 160-0004 Japan
Tel: 81-3-5368-0782
Fax: 81-3-5362-2950

Taiwan Office
7G03, 7th Floor
No. 5, Sec. 5
Hsin-Yi Rd.
P.O. Box 109-857
Taipei, Taiwan
Tel: 886-2-2722-0805
Fax: 886-2-2723-9364

South Korea Office
14F, Donghwa Bldg., 58-7 Seosomun-dong
Jung-gu, Seoul, 100-736, Korea
Tel: 82-2-777-1977
Fax: 82-2-777-8179

Tourism British Columbia
3rd Floor – 1803 Douglas Street, Victoria
British Columbia Canada V8W 9W5
250-356-6363

Corporate website: www.tourismbc.com
Consumer website: HelloBC.com